



CALIFORNIA Economic Indicators

May–June 2003

California Economy Still Sluggish

Mixed signals from the economy.

■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

The California economy continues to grow slowly and unevenly. Payroll employment slipped for the fourth consecutive month in May. Moreover, job losses, concentrated in manufacturing until recently, appear to be spreading to the state's service sectors. Housing and real estate markets remain strong, however, even after cooling somewhat in recent months.

Employment

Nonfarm payroll employment fell by 21,500 in May, more than the state's proportionate share of the nation's job losses. From May 2002 to May 2003, nonfarm employment in California fell by 74,600 for an average monthly loss of 6,200 jobs. While this is much better than the 18,200 monthly loss suffered in 2001, job losses have been accelerating lately. The average monthly job loss during the last four months (February 2003–May 2003) was 13,600.

The Service Sector Slows

Service industries provided most of the state's new jobs in 2002, nearly 77,000. Goods producing industries, bogged down by ongoing losses in manufacturing, dropped nearly 70,000 jobs. During the first five months of 2003, service providing industries changed course and shed jobs in numbers comparable to the goods producing sector. Service sector employment fell by 10,000 while goods producing industries dropped 15,900 jobs.

In May, employment expanded in five industry sectors and contracted in the other six. The growth sectors were led by Other Services (5,200), followed by Leisure and Hospitality (1,600), Financial Activities (1,600), Education and Health Services (800), and Natural Resources and Mining (600).

May's largest losses occurred in Professional and Business Services, which dropped 11,100 jobs. Government employment fell by 9,300; Manufacturing, 4,000; Trade, Transportation, and Utilities, 3,200; and Information, 2,300. Manufacturing has now lost jobs on a month-to-month basis for 13 consecutive months and in 28 of the last 29 months. This was the fourth consecutive month-over-month

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FIGURE 1

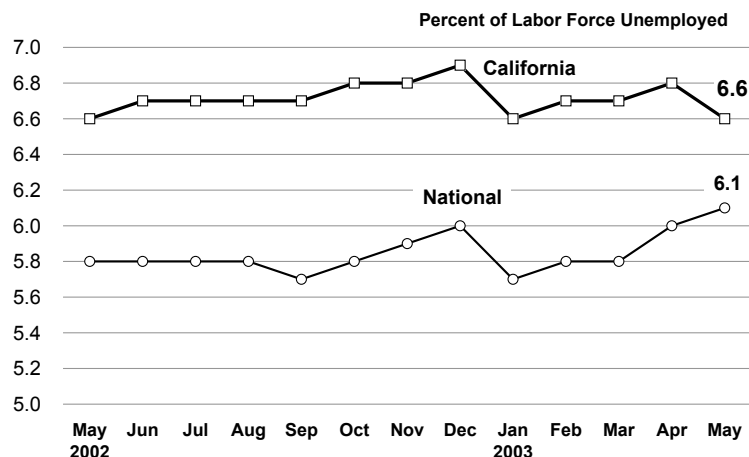
Industry Employment in May

Percent Change May 2002 - May 2003

| Total Nonfarm | -0.5% | |
|-------------------------------------|--------------|------|
| Goods Producing | -2.3% | |
| Natural Resources and Mining | -3.5% | |
| Construction | | 1.9% |
| Manufacturing | -4.2% | |
| Service Providing | -0.2% | |
| Trade, Transportation and Utilities | -0.2% | |
| Information | -7.7% | |
| Financial Activities | | 1.6% |
| Professional and Business Services | -1.0% | |
| Educational and Health Services | | 2.0% |
| Leisure and Hospitality | | 0.9% |
| Other Services | -1.0% | |
| Government | -0.2% | |

FIGURE 2

California and National Unemployment Rates Converge



drop in Government employment, led by losses among local governments.

Looking at year-over-year performance, four industry sectors added jobs between May 2002 and May 2003 while seven lost jobs. The job gainers were led by Education and Health Services, which added 30,000 jobs. Other growth sectors included Construction (15,000), Financial Activities (13,400), and Leisure and Hospitality (12,200). Losses were led by the Manufacturing sector (70,300), followed by Information (39,300), Professional and Business Services (20,400), Trade, Transportation, and Utilities (5,400), Other Services (5,000), Government (4,000), and Natural Resources and Mining (800).

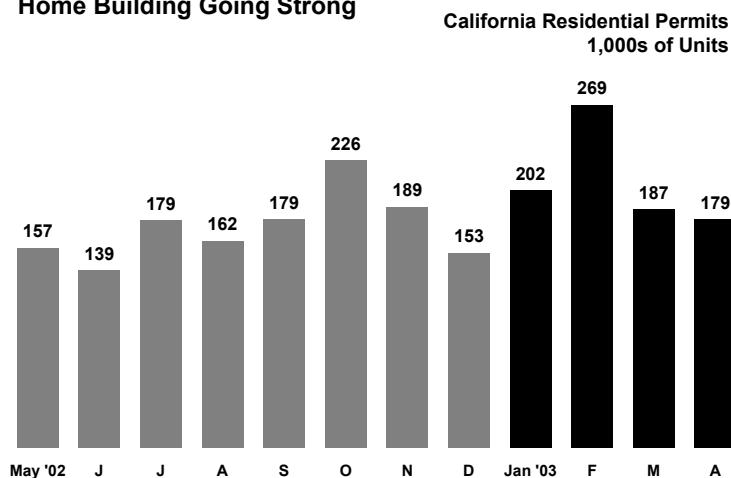
An Uncomfortable Drop in the Unemployment Rate

The state's unemployment rate dropped in May, usually a good sign, but in this case chiefly due to a large number of people, especially teenagers, leaving the labor force. California's labor force participation rate — the share of the working-age population either employed or looking for work — dropped to 66 percent in May. The rate in January 2002 was 66.9 percent and was 67.3 percent in the early months of 2001.

California's unemployment rate fell 0.2 percentage points in May to 6.6 percent — the same rate it was a year ago. A 39,000 person drop in the number unemployed coupled with a 37,000 drop in civilian employment meant that the civilian labor force contracted by 76,000 persons — the largest one month drop since January 2000. May's drop came in spite of rise in the national unemployment rate, to 6.1 percent. The gap between the state and national rates has narrowed significantly over the past year.

FIGURE 3

Home Building Going Strong



Building Activity

Home building moderates in April

After an impressive surge during the first quarter of 2003, residential construction moderated in April, but was still well ahead of last year's pace. April's rate of residential permitting, 179,000 units on a seasonally adjusted, annual rate basis, was 12 percent greater than during the same month in 2002. During the first four months as a whole, residential construction permitting was over 27 percent higher than the same months of 2002.

Nonresidential construction is still weak

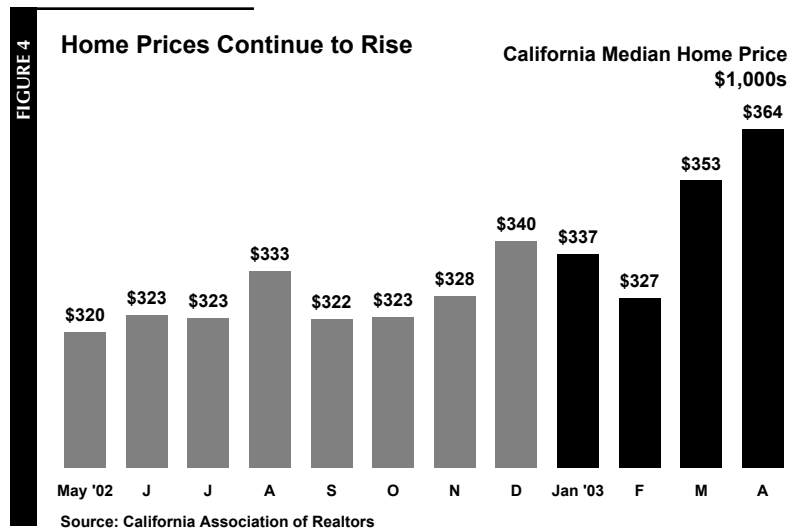
While commercial construction was still well below last year's pace, April marked the third consecutive month-over-month improvement, as measured by the value of permits issued. April's annual rate of \$1,138 million was 7.5 percent below the April 2002 pace, but was a nearly 10 percent improvement on March 2003. Office and hotel construction accounted for most of the slowdown from last year.

Real Estate

Sales and prices rise in April

Existing home sales accelerated again in April, growing 2.8 percent from March's pace. Even though April's seasonally adjusted, annual sales rate of 583,000 units was significantly slower than at the same time a year ago, April 2002 set a new record for California home sales. Home sales during the first four months of 2003 were off 5.0 percent from the same months of 2002.

The rise in the prices of existing homes closely matched the rise in sales. The median price of existing single-family homes sold in April rose to \$363,930, up 3.2 percent from March and nearly 15 percent from April 2002.



ECONOMIC FORECAST UPDATE

The following forecast is adapted from the May Revision of the Governor's 2003-04 Budget and is based on information available as of April 2003.

The national economy made little progress on the road to recovery in the first quarter of 2003. Economic output grew only slightly for the second quarter in a row, as bad weather, the war with Iraq, fear of terrorist attacks, and concerns about severe acute respiratory syndrome (SARS) weighed on the economy. Consumers remained cautious, and businesses cut back on capital spending. Manufacturing slowed further. The war and SARS especially hurt air travel and tourism. On the positive side, residential construction increased, and housing markets remained strong. Net exports became less negative, and corporate profits continued to improve. In total, though, there was not enough demand in the economy to keep labor markets from deteriorating.

California fared much the same. War, fears of terrorism, and SARS hurt the state's tourism industry, which has not yet fully recovered from the September 11th terrorist attacks. Employment continued to decline in manufacturing, and high-tech companies announced new layoff plans. Layoffs were also expected in school districts, local government, and health care. However, overall employment rose in the state in the first three months of 2003 while it fell in the nation, but the gain was small and did not keep up with the state's growing labor force. The annual revision of the state employment statistics showed that the recession was even worse than previously thought in the San Francisco and San Jose metropolitan areas. On the positive side, personal income tax withholding and sales taxes were up from a year ago in the first four months of 2003. Residential building strengthened considerably in the last few months of 2002 and in the first quarter of 2003. Housing markets remained active and price appreciation was substantial in certain price levels. Despite a pickup in consumer confidence in April, most of the evidence suggests that the California and national economies will grow only modestly during the rest of 2003. Better things are in store for 2004.

The Nation

The U.S. economy experienced its first full year of growth in 2002 after the mild recession of 2001. However, the mild recession led to a weak recovery with growth only half the rate of the average for post-World War II recoveries. Possibly as a result of war jitters, the economy slowed at the end of 2002, and the first quarter of 2003 was little better as inflation-adjusted Gross Domestic Product (GDP) increased by only 1.6 percent.

Personal consumption expenditures increased by only 1.4 percent in the first quarter, marking a slowdown from the already weak fourth quarter growth rate of 1.7 percent. Consumers became more cautious as the threat of war with Iraq neared. The slowdown in consumption growth mirrored a decline in consumer sentiment, which reached a ten-year low in March before bouncing back strongly in April.

Business investment was disappointing in the first quarter. After growing for four consecutive quarters, it reversed course and declined. Investment in producers' durable equipment and software was very weak—declining by 4.4 percent. The decline was concentrated in transportation equipment, particularly motor vehicles and civilian aircraft. Investment in information equipment, on the other hand, soared. Spending on commercial structures dropped again, but the pace of decline was the slowest in six quarters. Housing construction, however, continued to increase. And business inventories expanded but at a slower pace.

Government spending grew modestly in the first quarter, posting its smallest gain since the third quarter of 2001. Although the public has focused on national security spending following the September 11th terrorist attacks, growth in government spending has actually been quite broad-based since then. This pattern was broken in the first quarter. While federal nondefense spending grew by 10.5 percent, defense spending declined by 1.5 percent, and State and local spending fell by 0.1 percent. The decline in State and local spending was expected with most State governments facing large budget shortfalls.

Net exports (exports minus imports) increased in the first quarter, as imports fell more quickly than exports. The depreciation in the dollar might have finally improved the trade balance. However, the work slowdown and eventual lockout at West Coast ports last fall could have distorted the results of the last three quarters.

Monthly statistics since the beginning of 2003 reflect the weak growth experienced in the first quarter and point to more weakness in the second. The Institute for Supply Management's survey of national manufacturing showed that manufacturing contracted in March after expanding the three previous months. Additionally, the Federal Reserve Bank's industrial production index fell in March—the sixth decline in the last eight months. The service sector also slowed in March with the ISM's non-manufacturing index falling for the first time since January 2002. Also, the University of Michigan's Consumer Sentiment Index declined throughout the first quarter before bouncing back in April. Falling gasoline and natural gas prices and the successful conclusion of hostilities in Iraq likely account for much of the rebound.

Consumers have become increasingly concerned about job prospects, however. Employers remain cautious about taking on more workers. And even though layoff announcements have trended downward in the last six months, suggesting that some improvement in job prospects may lie ahead, initial claims for unemployment insurance benefits have trended upward, indicating that a growing number of workers are losing their jobs. Consistent with this, the monthly establishment survey shows that nonfarm payroll employment slid by 322,000 jobs from December 2002 to April 2003. The national unemployment rate, which has shown little trend in the last year and a half, would seem to paint a different picture. But, declining labor force participation in the last three years, caused in part by an increase in the number of discouraged workers, has held down the unemployment rate. (Discouraged workers are persons who would like to work and are available for work but are neither working nor looking for work because of job market-related reasons.)

The economy should pick up in the second half of 2003. Faster economic growth will, at last, translate into job gains since firms will have exhausted opportunities to increase productivity at the phenomenal rates experienced during 2002. Some of the fuel for faster growth will come from reduced uncertainty on the outlook for the Middle East, significant improvements in corporate profitability, and from additional tax cuts that will kick in by the fourth quarter of 2003. Moreover, the economy will continue to be buoyed by low interest rates. Construction, however, will not be adding to economic growth until 2005. International trade will not contribute much in 2004 either, but federal spending will be a key contributor.

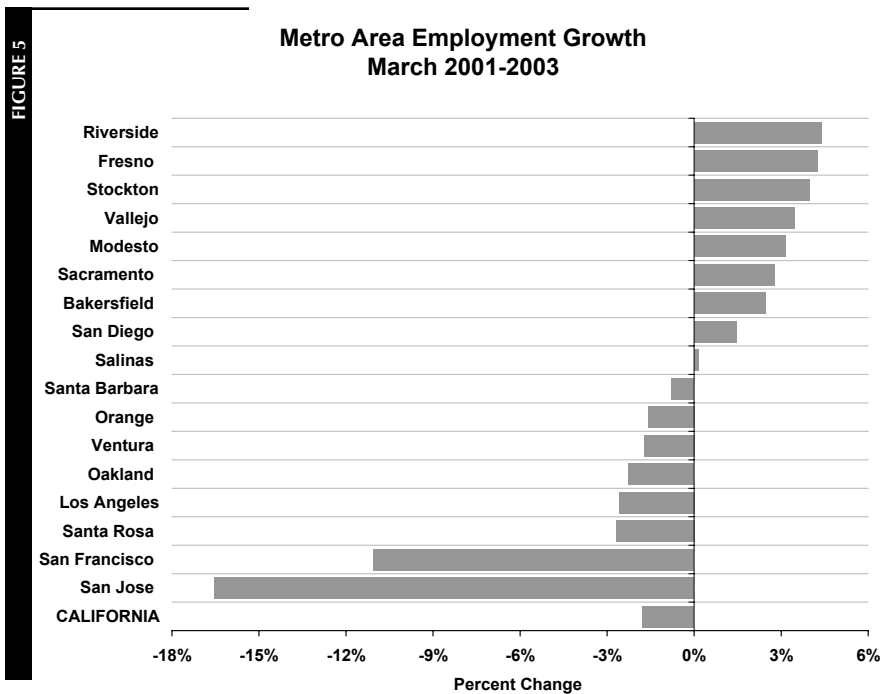
California

The California economy has tracked the national economy quite closely in the last year. Both economies have been sluggish. From March 2002 to March 2003, nonfarm payroll employment grew by 0.2 percent in the state while falling 0.2 percent in the nation—essentially unchanged. Over that year, state unemployment varied narrowly, never exceeding 6.9 percent nor falling below 6.6 percent. The national unemployment rate also was steady but averaged about 0.9 percentage points below the state rate. In addition, homebuilding was strong in both the state and the nation, as were housing markets.

The annual revision to the state's employment statistics revealed that the California recession was even more of a high-tech, Bay Area recession than previously thought. While nonfarm payroll employment fell by 290,000 jobs, or 2.0 percent, in the state between March 2001 and January 2002, it fell by about 105,000 jobs, or 10 percent, in the San Jose metropolitan area and 75,000 jobs, or 7 percent, in the San Francisco metropolitan area. Thus, the total job loss in the two metropolitan areas was greater than 60 percent of the net job loss in the entire state. Making matters worse, these two areas got a month or two head start in losing jobs, and they continued to lose jobs a year after employment hit bottom in the state as a whole. In fact, as recently as April 2003, it was not clear whether the two metropolitan areas had stopped losing jobs, although the rate of loss had slowed considerably. The San Jose metropolitan area lost an astounding 16.5 percent of its jobs from March 2001 to March 2003, and the San Francisco metropolitan area, 11.1 percent (Figure 5). These percentage losses exceed what Los Angeles County lost in the long and deep early-1990s California recession. Moreover, most of the jobs lost in the San Jose and San Francisco metropolitan areas were in high paying industries, making the resulting losses in total wages and salaries and tax revenues in the state larger than would have otherwise been the case. The San Jose metropolitan area accounted for a hugely disproportionate \$3.1 billion of the \$9.5 billion decline in personal income tax assessments in the state in 2001.

The state's travel and tourism industry was recently set back by the war in Iraq and the SARS epidemic. The already-struggling air travel industry was particularly hit hard as travelers worried about being infected by SARS or being a victim of a terrorist attack on an airplane. San Francisco's tourism industry, with its heavy reliance on Asian visitors, was especially affected. Small businesses in California's Asian communities may also have suffered. With military operations winding down in Iraq and signs that the SARS epidemic is ebbing in most of the world, with the major exceptions of mainland China and Taiwan, California's travel and tourism industry might get some relief in the coming months.

Low mortgage rates and doubts about the stock market kept residential real estate markets strong in the first quarter of 2003. The median price of existing homes sold in the state hit a new record high of \$352,780 in March, up more than 15 percent from a year earlier. Sales were off a bit—down 3.2 percent in March and 3.5 percent for the entire first quarter—but still at high levels. Some of the real estate markets with very high prices—Santa Barbara, Santa Clara, and Santa Cruz Counties and the San Francisco metropolitan area—saw sharp drops in sales in March from year earlier levels.



The Forecast—With the war in Iraq having gone as well as could be hoped, the recent capture of another high-level Al Qaeda leader, and signs that the SARS epidemic might be running its course, consumers and businesses should be feeling better about the outlook for the economy. At the very least, uncertainty about the near-term future has been reduced considerably, and that appears to account for much of the improvement in consumer confidence measures in April. What remains to be seen is how long that feeling of relief will last.

The nation's loss of 48,000 jobs in April brought the total job loss since March 2001 to 2,112,000. Over that time, unemployment rose from 4.2 percent to 6.0 percent. To be sure, few of those jobs—only 332,000—were lost in the last 12 months; labor markets appear to have bottomed out. But consumers react to how long job markets have been down as well as the depth to which they have gone. So, while it is positive for the outlook that labor markets will likely not deteriorate much further, it doesn't do much for consumer confidence. Weak labor markets were the top concern of Americans before the build-up to the war in Iraq and will soon be again.

Judging from business confidence surveys, business leaders are even more skeptical than consumers about predictions of an improving economy. Here again, however, progress has been made. Many major businesses have aggressively cut costs (i.e. layoffs) in the last year or two and are now showing profits. When demand picks up in the economy, profits should grow quickly, and that should lead to more capital spending.

Thus, the national economy is better positioned to get back on track than it was last year at this time. In addition, the anticipated federal tax cut will give it a boost in the second half of the year. But it may well be close to the end of the year before progress is clearly evident. There are still quite a few industries with too much capacity, which would dampen the prospects for a strong recovery. Moreover, if productivity continues to grow as quickly as in the last year, improvement in the labor markets will likely come first in the form of fewer layoff announcements and longer workweeks for employed workers. Actual employment gains will trail behind, and declines in the unemployment rate will come even later. Reductions in layoffs and longer workweeks are less visible forms of improvement and not as desirable as outright hiring, especially to unemployed workers.

California will continue to track the national economy. By the fourth quarter of 2003, jobs will be growing at an annualized rate of about 1.6 percent on a quarter-to-quarter basis. Because job gains will be meager in the first half of 2003, employment will be up only 0.6 percent for 2003 as a whole, on an annual-average basis (Figure 7). Employment growth will increase to 2.1 percent in 2004, on an annual-average basis. Growth in total state personal income will improve from 3.1 percent in 2003 to 4.9 percent in 2004, clearly putting the economy back on track.

FIGURE 6

Selected U.S. Economic Indicators

| | 2002 | Forecast | |
|---|-------|----------|-------|
| | | 2003 | 2004 |
| Real gross domestic product, (1996 dollar) (Percent change) | 2.4 | 2.4 | 3.5 |
| Personal consumption expenditures | 3.1 | 2.1 | 3.3 |
| Gross private domestic investment | 1.0 | 2.0 | 6.7 |
| Government purchases of goods and services | 4.4 | 3.7 | 1.0 |
| GDP deflator (1996=100) (Percent change) | 1.1 | 1.6 | 1.7 |
| GDP, (Current dollar) (Percent change) | 3.6 | 4.1 | 5.3 |
| Federal funds rate (Percent) | 1.67 | 1.28 | 2.24 |
| Personal income (Percent change) | 2.8 | 3.7 | 4.4 |
| Corporate profits before taxes (Percent change) | -0.7 | 15.5 | 20.9 |
| Nonfarm wage and salary employment (Millions) | 130.8 | 130.8 | 132.7 |
| (Percent change) | -0.9 | 0.1 | 1.4 |
| Unemployment rate (Percent) | 5.8 | 6.0 | 6.0 |
| Housing starts (Millions) | 1.71 | 1.62 | 1.52 |
| (Percent change) | 6.7 | -5.1 | -6.5 |
| New car and light truck sales (Millions) | 16.8 | 16.2 | 16.5 |
| (Percent change) | -2.0 | -3.7 | 1.9 |
| Consumer price index (1982-84=100) | 179.8 | 184.0 | 188.1 |
| (Percent change) | 1.6 | 2.3 | 2.2 |

Forecast based on data available as of April 2003.

Percent changes calculated from unrounded data.

FIGURE 7

Selected California Economic Indicators

| | 2002 | Percent change | Forecast | | | |
|--------------------------------------|-----------|----------------|-----------|----------------|-----------|----------------|
| | | | 2003 | Percent change | 2004 | Percent change |
| Personal income (\$ billions) | \$1,138.7 | 0.9% | \$1,173.7 | 3.1% | \$1,231.5 | 4.9% |
| Nonfarm W&S employment (thousands) | 14,523 | -0.7% | 14,608 | 0.6% | 14,922 | 2.1% |
| Mining | 22 | -8.6% | 21 | -4.1% | 20 | -5.0% |
| Construction | 757 | -0.7% | 765 | 1.0% | 787 | 2.9% |
| Manufacturing | 1,738 | -7.8% | 1,690 | -2.7% | 1,702 | 0.7% |
| High technology | 442 | -12.4% | 422 | -4.4% | 433 | 2.5% |
| Transportation/utilities | 705 | -5.2% | 706 | 0.1% | 722 | 2.2% |
| Wholesale & retail trade | 3,348 | 0.7% | 3,419 | 2.1% | 3,539 | 3.5% |
| Finance group | 858 | 1.7% | 862 | 0.5% | 877 | 1.8% |
| Services | 4,646 | -0.2% | 4,672 | 0.6% | 4,802 | 2.8% |
| Government | 2,450 | 2.8% | 2,473 | 0.9% | 2,473 | 0.0% |
| Unemployment rate | 6.7% | | 6.6% | | 6.4% | |
| Housing permits (thousands of units) | 166 | 11.5% | 179 | 7.8% | 174 | -3.2% |
| Consumer price index (1982-84=100) | 186.1 | 2.4% | 191.5 | 2.9% | 196.1 | 2.4% |

Forecast based on data available as of April 2003.

Select Indicators

Employment

| | May | 2003 Apr | Mar | Feb | 2002 May | Yr-Over-Yr % Change |
|---|----------|-------------|----------|----------|-------------|------------------------|
| EMPLOYMENT (Seasonally adjusted) | | | | | | |
| Civilian employment (000) | 16,392 | 16,429 | 16,449 | 16,422 | 16,223 | 1.0 |
| Unemployment (000) | 1,163 | 1,202 | 1,179 | 1,179 | 1,140 | 2.0 |
| Unemployment rate | 6.6 | 6.8 | 6.7 | 6.7 | 6.6 | -- |
| Nonagricultural wage and salary employment (000) a/ | 14,439.0 | 14,460.5 | 14,475.2 | 14,478.2 | 14,513.6 | -0.5 |
| Goods-producing industries | 2,398.2 | 2,403.0 | 2,409.3 | 2,404.1 | 2,454.3 | -2.3 |
| Natural resources and mining | 22.2 | 21.6 | 22.0 | 22.4 | 23.0 | -3.5 |
| Construction | 788.0 | 789.4 | 790.7 | 783.6 | 773.0 | 1.9 |
| Manufacturing | 1,588.0 | 1,592.0 | 1,596.6 | 1,598.1 | 1,658.3 | -4.2 |
| Service-providing industries | 12,040.8 | 12,057.5 | 12,065.9 | 12,074.1 | 12,059.3 | -0.2 |
| Trade, transportation, and utilities | 2,729.2 | 2,732.4 | 2,737.2 | 2,741.8 | 2,734.6 | -0.2 |
| Information | 470.2 | 472.5 | 472.6 | 470.3 | 509.5 | -7.7 |
| Financial activities | 862.2 | 860.6 | 859.5 | 857.2 | 848.8 | 1.6 |
| Professional and business services | 2,104.5 | 2,115.6 | 2,115.2 | 2,120.9 | 2,124.9 | -1.0 |
| Educational and health services | 1,525.7 | 1,524.9 | 1,520.6 | 1,514.9 | 1,495.7 | 2.0 |
| Leisure and hospitality | 1,402.9 | 1,401.3 | 1,401.5 | 1,402.8 | 1,390.7 | 0.9 |
| Other services | 504.5 | 499.3 | 498.5 | 499.8 | 509.5 | -1.0 |
| Government | 2,441.6 | 2,450.9 | 2,460.8 | 2,466.4 | 2,445.6 | -0.2 |

Hours & Earnings

| | | | | | | |
|--|----------|----------|----------|----------|----------|-----|
| HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted) | | | | | | |
| Average weekly hours | 39.6 | 39.4 | 39.6 | 39.5 | 39.5 | 0.3 |
| Average weekly earnings | \$591.62 | \$587.85 | \$592.81 | \$591.32 | \$586.58 | 0.9 |
| Average hourly earnings | \$14.94 | \$14.92 | \$14.97 | \$14.97 | \$14.85 | 0.6 |

Consumer Prices

| | | | | | | |
|---|-------|-------|-------|-------|-------|-----|
| CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted) | | | | | | |
| All Urban Consumers Series | | | | | | |
| California Average | n.a. | 191.1 | n.a. | 190.5 | n.a. | -- |
| San Francisco CMSA | n.a. | 197.3 | n.a. | 197.7 | n.a. | -- |
| Los Angeles CMSA | 186.4 | 187.6 | 188.2 | 186.5 | 182.6 | 2.1 |
| Urban Wage Earners and Clerical Workers Series | | | | | | |
| California Average | n.a. | 184.6 | n.a. | 183.7 | n.a. | -- |
| San Francisco CMSA | n.a. | 193.6 | n.a. | 193.7 | n.a. | -- |
| Los Angeles CMSA | 179.9 | 180.9 | 181.6 | 179.6 | 175.4 | 2.6 |

Construction

| | Apr | 2003 Mar | Feb | Jan | 2002 Apr | |
|--|--------|-------------|--------|--------|-------------|-------|
| CONSTRUCTION | | | | | | |
| Private residential housing units authorized (000) b/ | 179 | 187 | 269 | 202 | 160 | 11.9 |
| Single units | 122 | 126 | 150 | 174 | 124 | -1.6 |
| Multiple units | 57 | 61 | 119 | 28 | 36 | 58.3 |
| Residential building authorized valuation (millions) c/ | 36,084 | 35,621 | 46,398 | 43,429 | 33,753 | 6.9 |
| Nonresidential building authorized valuation (millions) c/ | 13,972 | 12,162 | 14,385 | 13,726 | 15,006 | -6.9 |
| Nonresidential building authorized valuation (millions) d/ | 1,138 | 1,036 | 1,030 | 1,016 | 1,229 | -7.5 |
| Commercial | 294 | 340 | 293 | 336 | 411 | -28.5 |
| Industrial | 167 | 59 | 84 | 103 | 93 | 80.8 |
| Other | 227 | 228 | 202 | 174 | 235 | -3.1 |
| Alterations and additions | 449 | 409 | 451 | 403 | 491 | -8.6 |

Auto Sales

| | | | | | | |
|---|---------|---------|---------|---------|---------|------|
| AUTO SALES (Seasonally adjusted) | | | | | | |
| New auto registrations (number) | 140,651 | 129,577 | 139,002 | 157,466 | 143,383 | -1.9 |

a/ The wage and salary employment information is now based on the new North American Industry Classification System (NAICS)

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

n.a. Not available

Select Indicators

Continued

VACANCY RATES FOR FIRST QUARTER 2003 (Percent)

| | <u>Downtown</u> | <u>Office Suburban</u> | <u>Total</u> | Industrial |
|----------------------------------|-----------------|----------------------------|--------------|------------|
| Northern and Central California: | | | | |
| Oakland-East Bay | 17.2 | 15.8 | 16.1 | -- |
| Sacramento | 9.0 | 11.3 | 10.8 | 15.3 |
| San Francisco | 18.7 | 25.9 | 20.9 | 13.6 |
| San Jose | 19.8 | 21.8 | 21.4 | -- |
| Southern California: | | | | |
| Los Angeles Metro | 18.8 | 13.4 | 14.3 | 9.1 |
| Orange County | -- | 16.6 | 16.6 | -- |
| San Diego | 10.4 | 11.9 | 11.6 | 11.2 |
| Ventura County | -- | 13.9 | 13.9 | -- |
| National Average | 14.1 | 17.8 | 16.4 | 11.5 |

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

| 2002 | | | | 2003 | |
|------|-----------|-----|---------|------|-----------|
| Jan | \$287,080 | Jul | 322,630 | Jan | \$336,740 |
| Feb | 294,870 | Aug | 332,970 | Feb | 327,120 |
| Mar | 305,840 | Sep | 322,480 | Mar | 352,780 |
| Apr | 317,120 | Oct | 322,990 | Apr | 363,930 |
| May | 319,570 | Nov | 327,500 | | |
| Jun | 323,300 | Dec | 339,570 | | |

Leading Indicators/^A

| | | Manufacturing | | Unemployment | New | Housing Unit |
|------|-----|---------------|--------------|----------------|----------------|----------------|
| | | Overtime | Average | Insurance | Business | Authorizations |
| | | Hours | Weekly Hours | Initial Claims | Incorporations | (Thousands) |
| 1998 | Jan | 5.1 | 42.2 | 56,302 | 4,675 | 105.8 |
| | Feb | 5.0 | 41.9 | 60,117 | 4,581 | 111.7 |
| | Mar | 4.9 | 41.9 | 58,716 | 4,609 | 128.8 |
| | Apr | 4.5 | 41.1 | 57,976 | 5,081 | 116.6 |
| | May | 4.7 | 41.8 | 58,946 | 4,487 | 121.6 |
| | Jun | 4.8 | 41.9 | 54,135 | 4,725 | 142.9 |
| | Jul | 4.7 | 41.9 | 54,275 | 4,857 | 117.5 |
| | Aug | 4.6 | 41.7 | 52,786 | 4,386 | 137.2 |
| | Sep | 4.5 | 41.4 | 50,763 | 3,757 | 125.9 |
| | Oct | 4.6 | 41.8 | 52,856 | 4,682 | 137.2 |
| | Nov | 4.6 | 41.7 | 54,747 | 4,685 | 139.9 |
| | Dec | 4.6 | 41.8 | 53,745 | 4,680 | 126.8 |
| 1999 | Jan | 4.7 | 42.3 | 52,152 | 4,875 | 138.3 |
| | Feb | 4.7 | 41.9 | 52,800 | 5,119 | 133.9 |
| | Mar | 4.6 | 42.0 | 53,077 | 6,033 | 138.1 |
| | Apr | 4.7 | 41.9 | 53,310 | 5,082 | 133.2 |
| | May | 4.8 | 42.0 | 50,340 | 5,238 | 132.6 |
| | Jun | 4.6 | 41.9 | 51,519 | 5,569 | 158.9 |
| | Jul | 4.5 | 41.7 | 51,002 | 5,353 | 147.0 |
| | Aug | 4.6 | 41.5 | 51,037 | 5,808 | 133.2 |
| | Sep | 4.5 | 41.3 | 50,218 | 5,906 | 138.8 |
| | Oct | 4.7 | 41.6 | 49,393 | 5,614 | 131.9 |
| | Nov | 4.8 | 41.5 | 51,634 | 5,874 | 141.2 |
| | Dec | 4.9 | 41.5 | 44,723 | 6,674 | 150.3 |
| 2000 | Jan | 5.0 | 41.7 | 50,876 | 6,400 | 153.9 |
| | Feb | 4.9 | 41.4 | 49,482 | 6,930 | 151.3 |
| | Mar | 4.7 | 41.4 | 47,312 | 8,331 | 157.6 |
| | Apr | 5.2 | 41.9 | 45,719 | 7,557 | 125.2 |
| | May | 5.0 | 41.6 | 47,828 | 6,585 | 137.7 |
| | Jun | 5.0 | 41.7 | 49,339 | 7,330 | 180.7 |
| | Jul | 5.1 | 41.7 | 48,033 | 7,325 | 132.5 |
| | Aug | 5.0 | 41.7 | 47,831 | 7,015 | 150.9 |
| | Sep | 5.0 | 41.9 | 47,537 | 7,268 | 143.4 |
| | Oct | 5.1 | 41.8 | 49,454 | 7,236 | 136.1 |
| | Nov | 4.9 | 41.6 | 48,436 | 7,345 | 160.3 |
| | Dec | 4.8 | 41.5 | 52,027 | 6,494 | 157.0 |
| 2001 | Jan | 4.1 | 39.7 | 48,238 | 7,344 | 203.7 |
| | Feb | 4.1 | 40.2 | 49,840 | 6,441 | 141.8 |
| | Mar | 4.0 | 39.9 | 53,235 | 6,469 | 146.6 |
| | Apr | 3.5 | 39.5 | 55,088 | 6,227 | 150.2 |
| | May | 3.7 | 39.7 | 55,953 | 6,785 | 153.9 |
| | Jun | 3.8 | 39.4 | 54,962 | 6,413 | 139.6 |
| | Jul | 3.7 | 39.4 | 55,836 | 6,495 | 129.2 |
| | Aug | 4.0 | 39.6 | 57,578 | 7,267 | 156.1 |
| | Sep | 4.0 | 39.8 | 60,049 | 6,213 | 112.3 |
| | Oct | 3.8 | 39.4 | 65,425 | 7,171 | 151.8 |
| | Nov | 3.6 | 39.1 | 56,454 | 7,276 | 141.7 |
| | Dec | 3.7 | 39.3 | 46,950 | 6,957 | 162.6 |
| 2002 | Jan | 3.8 | 38.8 | 69,037 | 7,019 | 159.8 |
| | Feb | 3.9 | 39.5 | 53,411 | 6,871 | 172.3 |
| | Mar | 4.1 | 39.9 | 59,870 | 7,199 | 146.6 |
| | Apr | 4.1 | 39.9 | 67,385 | 7,324 | 159.9 |
| | May | 4.0 | 39.7 | 60,268 | 8,671 | 157.0 |
| | Jun | 4.1 | 40.0 | 59,416 | 6,985 | 139.3 |
| | Jul | 3.9 | 39.2 | 63,359 | 7,188 | 178.6 |
| | Aug | 4.1 | 39.8 | 61,672 | 7,574 | 162.3 |
| | Sep | 4.0 | 40.1 | 61,781 | 7,814 | 179.2 |
| | Oct | 3.7 | 39.6 | 64,707 | 8,270 | 225.8 |
| | Nov | 3.9 | 39.7 | 56,294 | 7,465 | 189.3 |
| | Dec | 3.9 | 39.7 | 57,268 | 7,818 | 153.1 |
| 2003 | Jan | 3.9 | 39.5 | 63,107 | 7,111 | 202.0 |
| | Feb | 4.0 | 39.9 | 55,617 | 8,683 | 269.2 |
| | Mar | 3.7 | 39.7 | 58,143 | 7,031 | 187.1 |
| | Apr | 3.7 | 39.7 | 69,641 | 7,847 | 179.1 |
| | May | 3.8 | 39.8 | 60,028 | 7,939 | n.a. |

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

Coincident Indicators/^A

Employment, Unemployment

| | | Nonagricultural Employment (Thousands) | Manufacturing Employment (Thousands) | Unemployment Rate (Percent) | Unemployment Avg. Weeks Claimed (Thousands) |
|------|-----|---|---|--|--|
| 1999 | Jan | 13,749 | 1,831 | 5.6 | 355 |
| | Feb | 13,782 | 1,829 | 5.6 | 368 |
| | Mar | 13,811 | 1,826 | 5.5 | 375 |
| | Apr | 13,861 | 1,828 | 5.4 | 364 |
| | May | 13,893 | 1,824 | 5.3 | 373 |
| | Jun | 13,910 | 1,823 | 5.2 | 376 |
| | Jul | 14,009 | 1,827 | 5.1 | 349 |
| | Aug | 14,014 | 1,825 | 5.0 | 352 |
| | Sep | 14,054 | 1,834 | 5.0 | 367 |
| | Oct | 14,115 | 1,839 | 4.9 | 345 |
| | Nov | 14,148 | 1,837 | 4.9 | 344 |
| | Dec | 14,201 | 1,837 | 5.0 | 342 |
| 2000 | Jan | 14,201 | 1,842 | 5.0 | 357 |
| | Feb | 14,258 | 1,842 | 5.0 | 346 |
| | Mar | 14,308 | 1,843 | 5.0 | 353 |
| | Apr | 14,338 | 1,846 | 5.0 | 338 |
| | May | 14,416 | 1,846 | 5.1 | 326 |
| | Jun | 14,458 | 1,856 | 5.1 | 333 |
| | Jul | 14,484 | 1,865 | 5.0 | 334 |
| | Aug | 14,529 | 1,865 | 5.0 | 335 |
| | Sep | 14,578 | 1,865 | 4.9 | 316 |
| | Oct | 14,580 | 1,868 | 4.8 | 333 |
| | Nov | 14,635 | 1,874 | 4.8 | 343 |
| | Dec | 14,678 | 1,879 | 4.7 | 319 |
| 2001 | Jan | 14,717 | 1,874 | 4.7 | 351 |
| | Feb | 14,719 | 1,865 | 4.7 | 354 |
| | Mar | 14,725 | 1,855 | 4.8 | 360 |
| | Apr | 14,662 | 1,831 | 4.9 | 387 |
| | May | 14,647 | 1,814 | 5.1 | 414 |
| | Jun | 14,635 | 1,798 | 5.2 | 424 |
| | Jul | 14,569 | 1,776 | 5.3 | 450 |
| | Aug | 14,582 | 1,762 | 5.6 | 472 |
| | Sep | 14,525 | 1,741 | 5.7 | 483 |
| | Oct | 14,518 | 1,725 | 6.0 | 541 |
| | Nov | 14,485 | 1,704 | 6.2 | 510 |
| | Dec | 14,458 | 1,688 | 6.2 | 510 |
| 2002 | Jan | 14,435 | 1,674 | 6.4 | 505 |
| | Feb | 14,444 | 1,665 | 6.5 | 533 |
| | Mar | 14,465 | 1,661 | 6.6 | 516 |
| | Apr | 14,486 | 1,661 | 6.6 | 542 |
| | May | 14,514 | 1,658 | 6.6 | 557 |
| | Jun | 14,504 | 1,651 | 6.7 | 546 |
| | Jul | 14,455 | 1,639 | 6.7 | 558 |
| | Aug | 14,479 | 1,630 | 6.7 | 531 |
| | Sep | 14,470 | 1,623 | 6.7 | 546 |
| | Oct | 14,493 | 1,619 | 6.8 | 563 |
| | Nov | 14,502 | 1,611 | 6.8 | 507 |
| | Dec | 14,465 | 1,607 | 6.9 | 506 |
| 2003 | Jan | 14,493 | 1,600 | 6.6 | 502 |
| | Feb | 14,478 | 1,598 | 6.7 | 509 |
| | Mar | 14,475 | 1,597 | 6.7 | 497 |
| | Apr | 14,461 | 1,592 | 6.8 | 574 |
| | May | 14,439 | 1,588 | 6.6 | 545 |

| | | Personal Income (\$ millions) | Wages & Salaries from Mining, Construction and Manufacturing (\$ millions) | Taxable Sales (\$ millions) |
|------|---------|--|---|--|
| 1999 | Qtr I | 952,645 | 116,442 | 93,739 |
| | Qtr II | 979,378 | 120,132 | 97,146 |
| | Qtr III | 1,004,877 | 127,321 | 99,747 |
| | Qtr IV | 1,042,548 | 132,822 | 103,096 |
| 2000 | Qtr I | 1,072,564 | 144,059 | 107,393 |
| | Qtr II | 1,087,119 | 140,913 | 109,940 |
| | Qtr III | 1,120,616 | 149,186 | 111,702 |
| | Qtr IV | 1,117,199 | 143,587 | 112,045 |
| 2001 | Qtr I | 1,146,375 | 139,703 | 111,989 |
| | Qtr II | 1,132,951 | 136,289 | 111,275 |
| | Qtr III | 1,119,507 | 129,823 | 108,517 |
| | Qtr IV | 1,114,191 | 127,732 | 109,442 |
| 2002 | Qtr I | 1,132,615 | 127,806 | 108,528 |
| | Qtr II | 1,143,799 | 125,382 | 109,986 |
| | Qtr III | 1,140,729 | 123,476 | 109,540 |
| | Qtr IV | 1,137,729 | 122,389 | 107,572 |

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

Other Indicators

| DOD Prime Contracts a/ | | | Foreign Trade through California Ports | | |
|------------------------|--------------------|------------------|--|--------------------|--------------------|
| | <u>\$ millions</u> | <u>% of U.S.</u> | | <u>\$ millions</u> | <u>\$ millions</u> |
| 1981-82 | 22,685 | 21.8 | 1991-92 | 23,843 | 21.2 |
| 1982-83 | 26,387 | 22.2 | 1992-93 | 22,952 | 20.1 |
| 1983-84 | 28,520 | 23.0 | 1993-94 | 22,573 | 20.5 |
| 1984-85 | 29,115 | 20.8 | 1994-95 | 18,277 | 16.8 |
| 1985-86 | 27,738 | 20.4 | 1995-96 | 18,230 | 16.7 |
| 1986-87 | 24,515 | 18.4 | 1996-97 | 18,477 | 17.3 |
| 1987-88 | 23,458 | 18.7 | 1997-98 | 17,401 | 15.9 |
| 1988-89 | 23,125 | 19.3 | 1998-99 | 17,372 | 15.1 |
| 1989-90 | 22,312 | 18.4 | 1999-00 | 18,100 | 14.7 |
| 1990-91 | 24,265 | 19.5 | 2000-01 | 19,939 | 14.7 |
| | | | 2002 | | |
| | | | Jan | 24,205 | 25,997 |
| | | | Feb | 24,197 | 24,781 |
| | | | Mar | 26,263 | 28,573 |
| | | | Apr | 27,081 | 28,309 |
| | | | May | 27,382 | |
| | | | Jun | 28,972 | |
| | | | Jul | 28,333 | |
| | | | Aug | 29,634 | |
| | | | Sep | 28,764 | |
| | | | Oct | 27,547 | |
| | | | Nov | 29,567 | |
| | | | Dec | 27,857 | |

a/ U.S. fiscal year: October through September

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

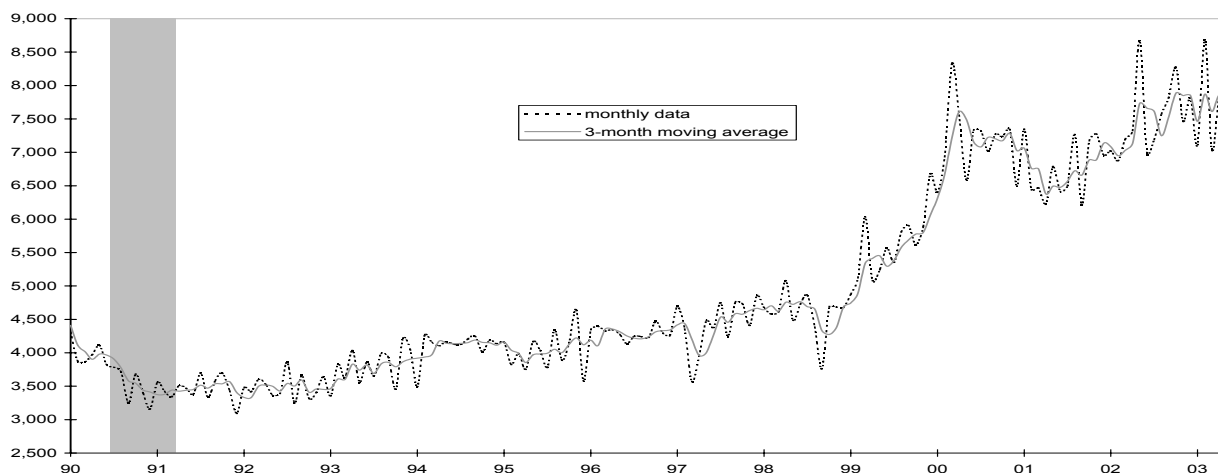
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

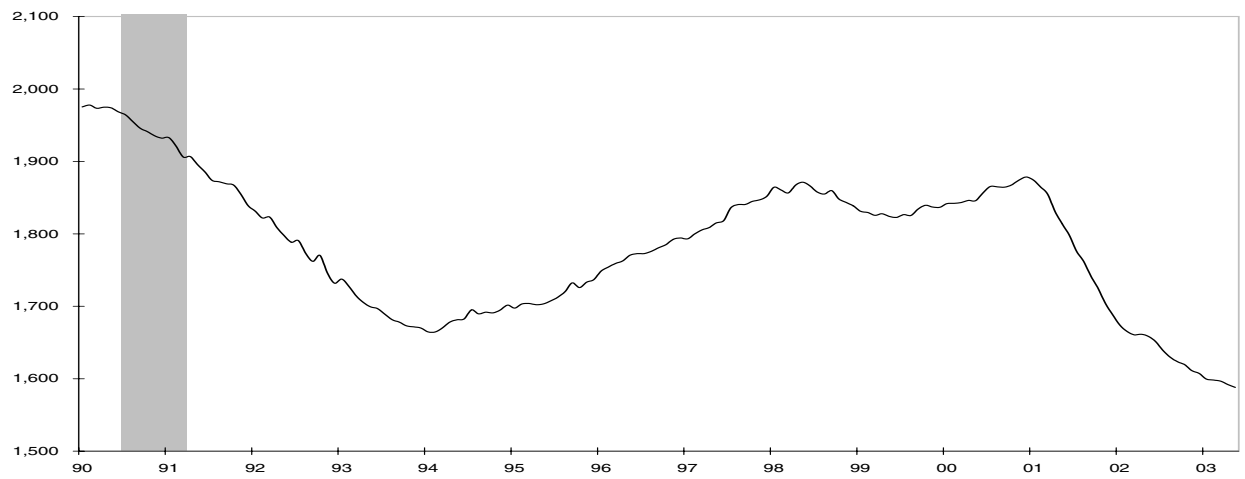
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

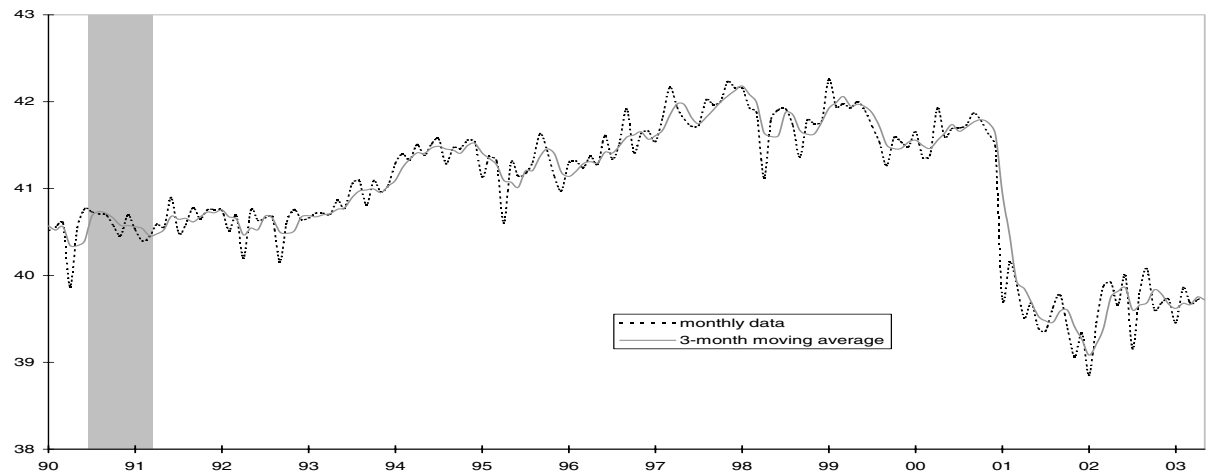
Nonagricultural Employment
(Thousands, Seasonally Adjusted)



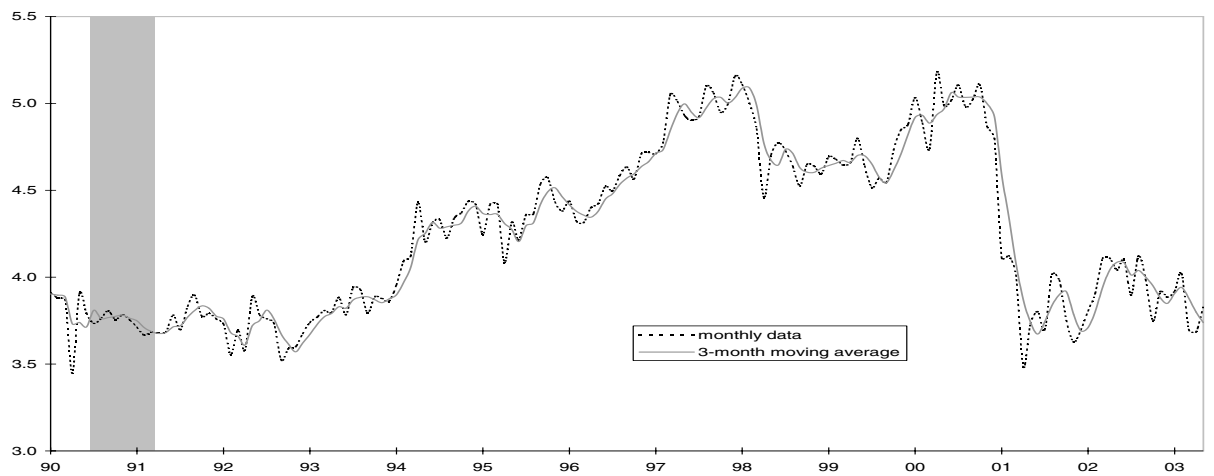
**Manufacturing
Employment**
(Thousands,
Seasonally Adjusted)



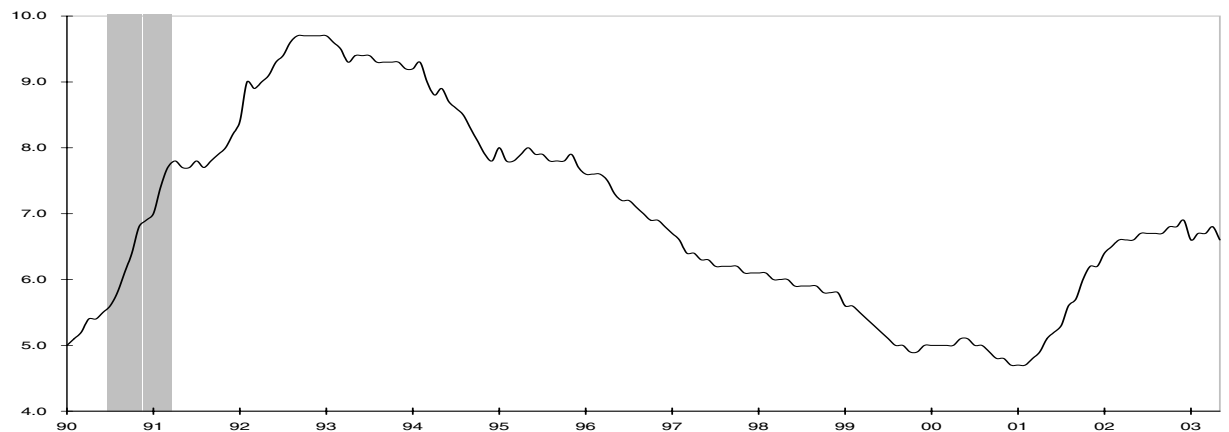
**Average
Weekly Hours,
Manufacturing**
(Seasonally Adjusted)



**Average
Overtime Hours,
Manufacturing**
(Seasonally Adjusted)

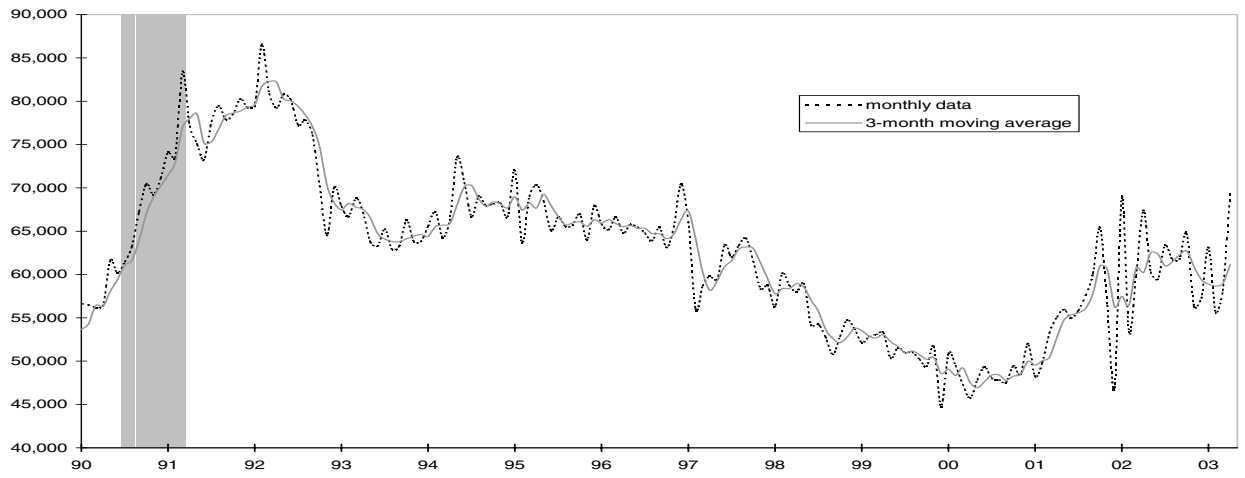


**Unemployment
Rate**
(Percent)



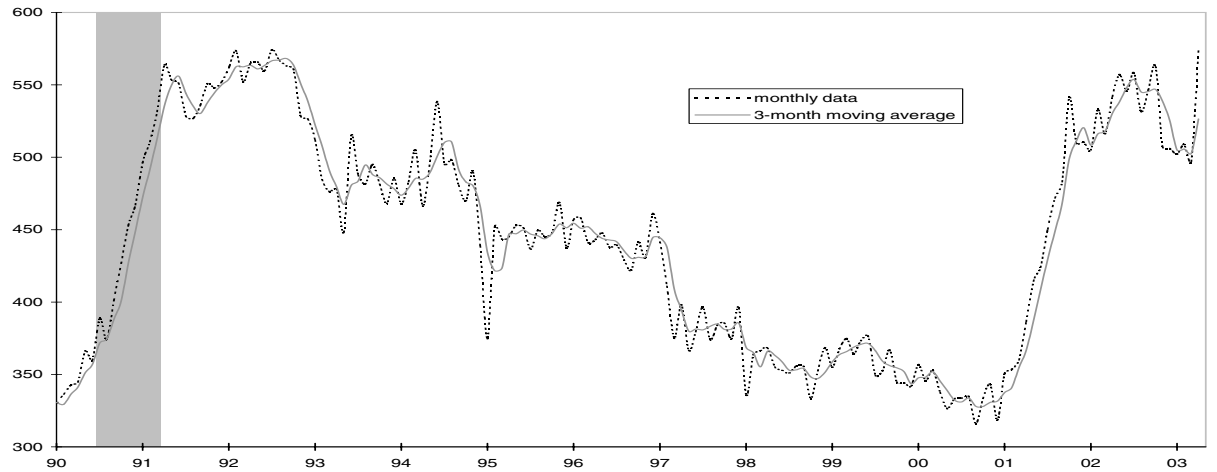
Initial & Transitional Claims for Unemployment Insurance

(Weekly Average, Seasonally Adjusted)



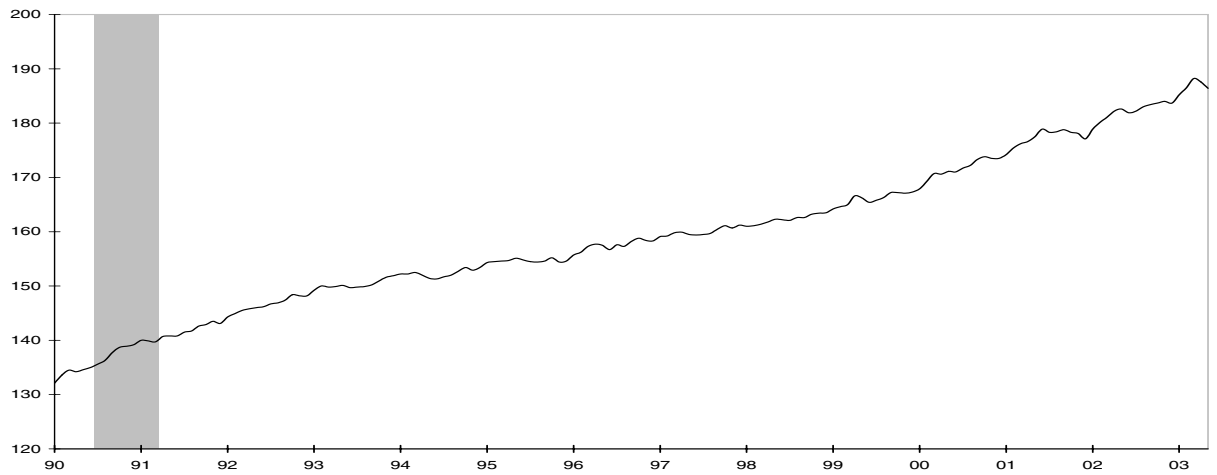
Unemployment, Average Weeks Claimed

(Thousands, Seasonally Adjusted)



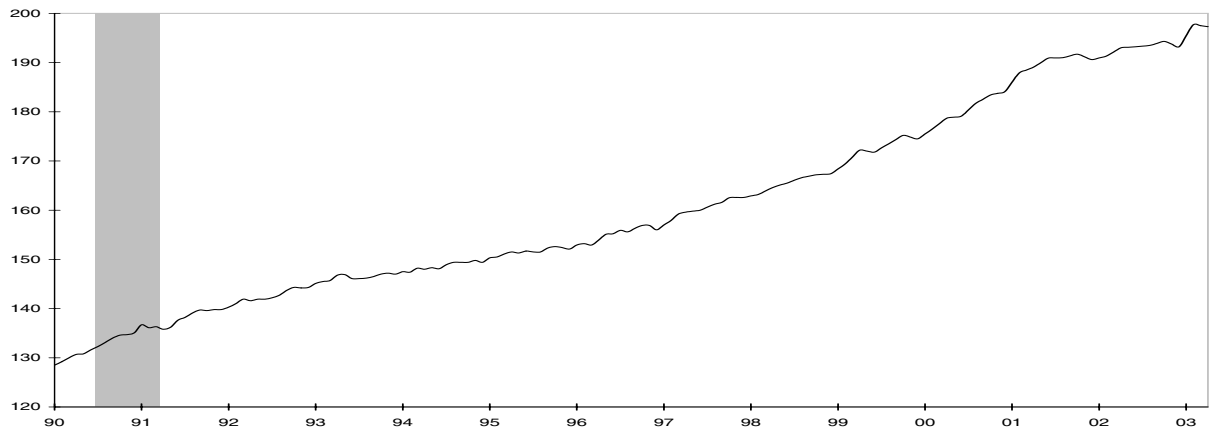
Consumer Price Index, Los Angeles

(1982-84=100)



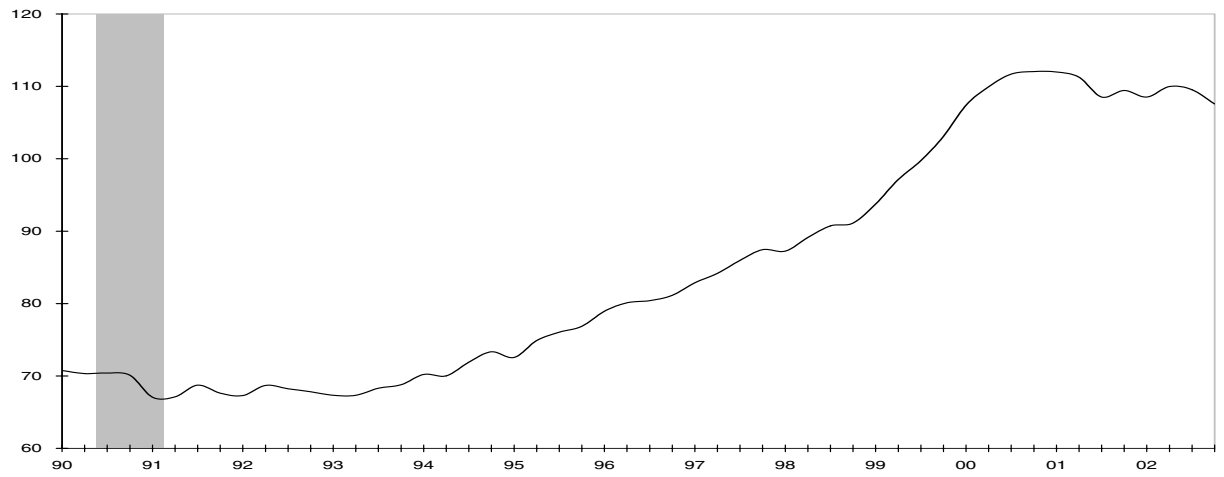
Consumer Price Index, San Francisco

(1982-84=100)



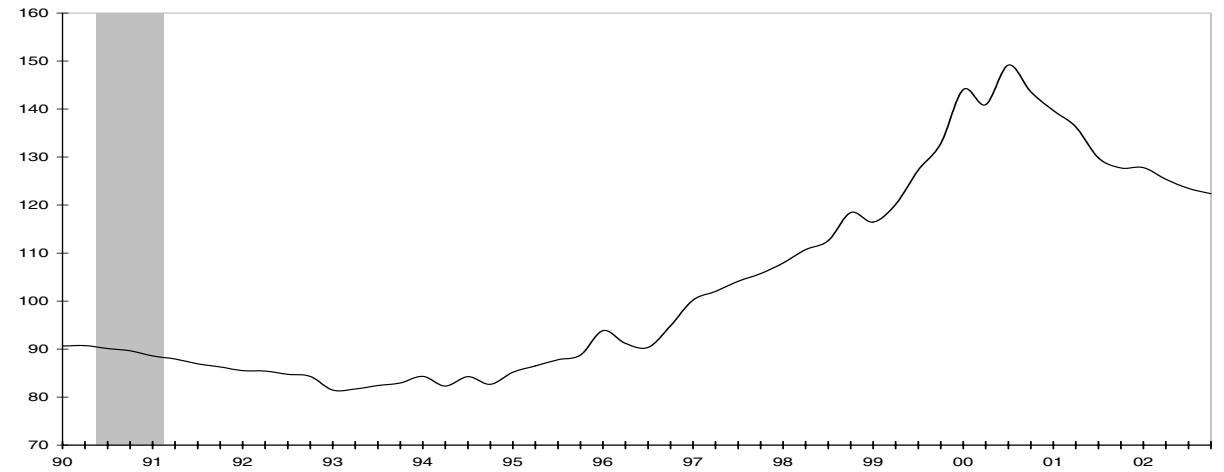
Taxable Sales

(Dollars in Billions,
Seasonally Adjusted)



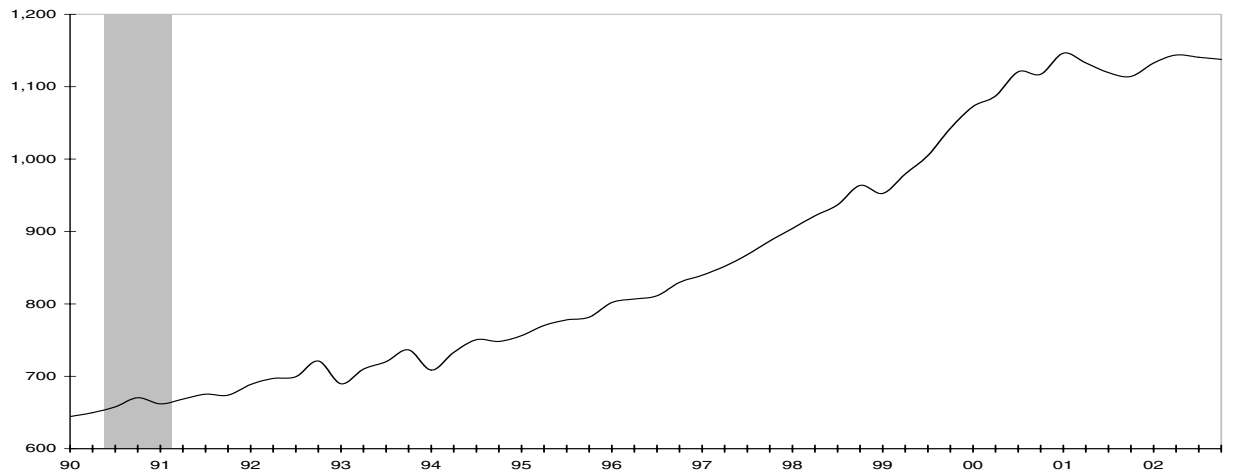
Wages and Salaries in Mining, Construction and Manufacturing

(Dollars in Billions,
Seasonally Adjusted)



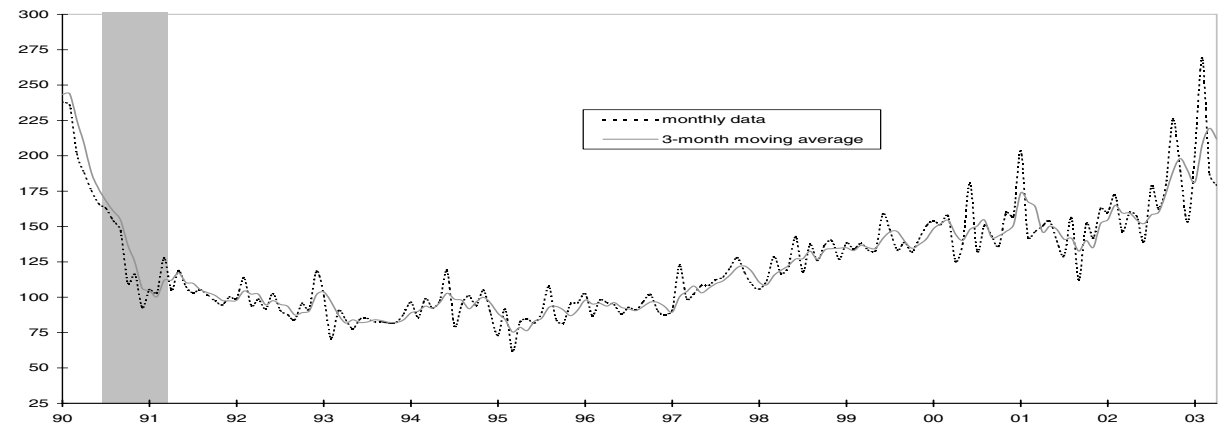
Personal Income

(Dollars in Billions,
Seasonally Adjusted)



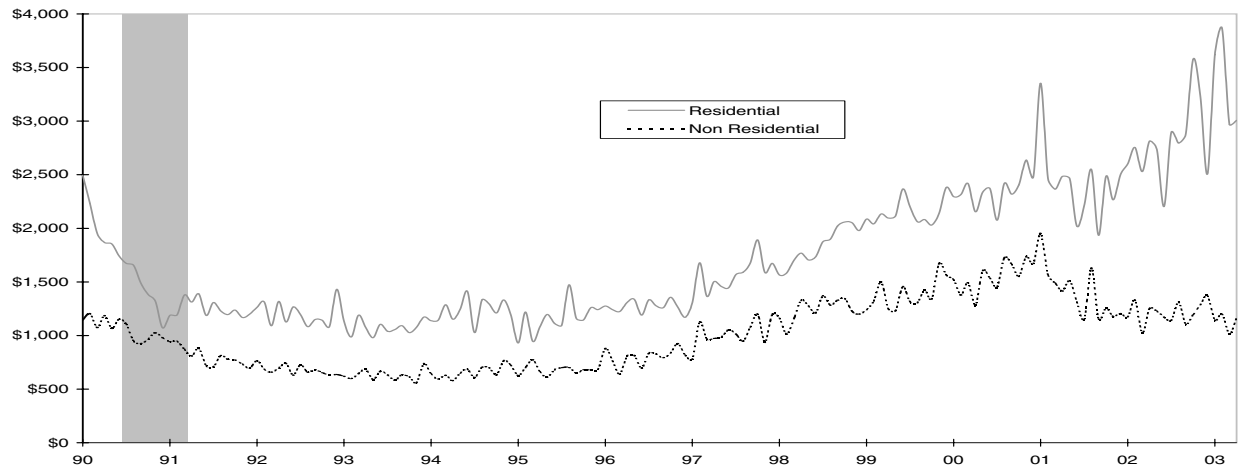
New Housing Units Authorized By Building Permits

(Thousands, Seasonally
Adjusted at Annual Rate)



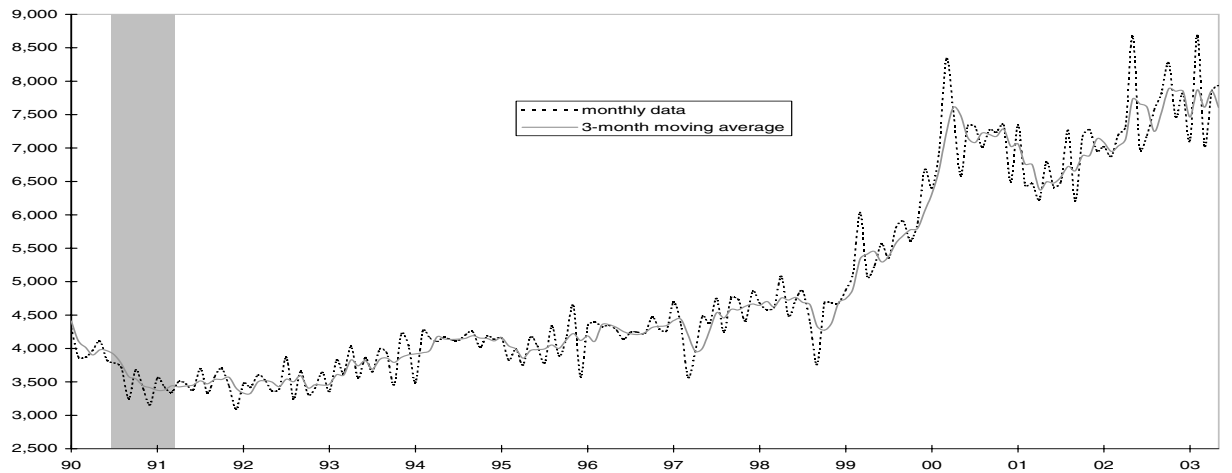
Residential & Nonresidential Building Permit Valuation

(Dollars in Millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



■ CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2001

| | |
|--------------------|---|
| January 1 | California's minimum wage raised from \$5.75 to \$6.25. The California state rate portion of the total 7.25% sales tax rate was reduced by .25%, to a total tax rate of 7.00%. |
| January 3 | Federal funds rate reduced to 6.0 percent from 6.5 percent. Discount rate reduced to 5.5 percent from 6.0 percent. |
| January 17 | OPEC to cut oil production by 1.5 million barrels a day, or 5.6 percent of current output. |
| January 31 | Federal funds rate reduced from 6.0 percent to 5.5 percent. Discount rate reduced from 5.5 percent to 5.0 percent. |
| March 19 | OPEC to cut oil production by 1 million barrels a day. |
| March 19-20 | California suffered rolling blackouts. |
| March 20 | Federal funds rate reduced from 5.5 percent to 5.0 percent. Discount rate reduced from 5.0 percent to 4.5 percent. |
| March 27 | California regulators approved retail electric rate increase. |
| March 29 | GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years. |
| April 6 | PG&E utility unit files for bankruptcy. |
| April 18 | Federal funds rate reduced from 5.0 percent to 4.5 percent. Discount rate reduced from 4.5 percent to 4.0 percent. |
| April 23 | A Tosco refinery explosion pushed gasoline prices to near record highs. |
| April 24 | Standard & Poors lowered California's bond rating from AA to A+ |
| April 27 | GDP grew at an annual rate of 2 percent in the first quarter. |
| May 7-8 | California hit by rolling blackouts. |
| May 15 | Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent. |
| June 7 | Federal tax cut was signed into law. |
| June 18 | The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states. |
| June 27 | Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent. |
| June 29 | First quarter GDP growth rate revised to 1.2 percent. |
| August 21 | Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent. |

| | |
|------------------------|--|
| August 29 | Second quarter GDP grew at a 0.2 percent annual rate. Discount rate reduced from 3.25 percent to 3.00 percent. |
| August 29 | Second quarter GDP grew at a 0.2 percent annual rate. |
| September 11 | Terrorists attack World Trade Center and the Pentagon. |
| September 11–14 | U.S. stock trading halts. |
| September 17 | Federal funds rate reduced from 3.50 percent to 3.00 percent. Discount rate reduced from 3.00 percent to 2.50 percent. Dow Jones Industrials record biggest point drop in history, falling 684.41. |
| October 2 | Federal funds rate reduced from 3.00 percent to 2.50 percent. Discount rate reduced from 2.50 percent to 2.00 percent. |
| October 26 | Lockheed Martin Corporation awarded defense contract. |
| November 6 | Federal funds rate reduced from 2.50 percent to 2.00 percent. Discount rate reduced from 2.00 percent to 1.50 percent. |
| November 26 | Recession in the US began in March 2001, according to NBER. |
| December 2 | Enron filed for bankruptcy protection. |
| December 11 | Federal funds rate reduced from 2.00 percent to 1.75 percent. Discount rate reduced from 1.50 percent to 1.25 percent. China becomes WTO member. |
| December 21 | GDP down 1.3 percent in Q3. |
| December 31 | Markets fall for a second straight year for the first time since 1974. |

2002

| | |
|--------------------|--|
| January 1 | Taiwan becomes WTO member. OPEC to cut oil production by 6.5 percent. Euro becomes legal tender in 12 European countries. |
| January 6 | Unemployment insurance benefits increased in California. |
| February 28 | GDP up 1.4 percent in Q4. |
| March 9 | California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation. |
| March 28 | GDP up 1.7 percent in Q4. |
| April 25 | Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest. |
| May 13 | President Bush signed a 10-year, \$190 billion farm bill that promises to expand subsidies to growers. |
| June 27 | GDP up 6.1 percent in Q1. |
| July 5 | Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997. |
| July 8 | Intel launches its Itanium 2 chip. |
| July 10 | President Bush called for stiffer penalties to eradicate corporate fraud. |
| July 15 | Pfizer to buy Pharmacia. |
| July 16 | The dollar sank against the euro for the first time in more than two years. Intel to eliminate 4,000 jobs. |

| | |
|------------------------------------|--|
| July 21 | WorldCom filed for bankruptcy protection. |
| July 22 | The Dow Jones industrial average sank to its lowest level in nearly four years. Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997. |
| July 30 | President Bush signed into law the Public Company Accounting Reform and Investor Protection Act. |
| July 31 | GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters. Venture capital investments hit four-year low. |
| August 8 | IMF signed an emergency loan to Brazil. |
| August 11 | U.S. Airways filed for bankruptcy. |
| August 20 | The U.S. trade deficit narrowed in June, following two straight record monthly deficits. |
| September 27 –October 9 | Cargo operations at 29 West Coast ports ground to a halt when terminal operators locked out unionized workers. |
| November 6 | Federal funds rate reduced from 1.75 percent to 1.25 percent. Discount rate reduced from 1.25 percent to 0.75 percent. |
| December 9 | United Airlines filed for bankruptcy protection. |
| December 19 | Standard & Poor's lowered California's bond rating to an A from an A+. |

2003

| | |
|-----------------------|--|
| February 10 | Moody's lowered California's bond rating to A2 from A1. |
| February 14–17 | A major snowstorm hit the Middle Atlantic and Eastern states. |
| February 26 | Doctors in Hong Kong report the first case of a flu-type virus "Atypical Pneumonia" now more commonly known as Severe Acute Respiratory Syndrome (SARS). |
| March 20 | Operation Iraqi Freedom begins. |
| April 9 | Baghdad falls and Iraqis and American troops topple statue of Saddam Hussein. |
| April 14 | President Bush declares conclusion of major combat operations in Iraq. |
| June 25 | Federal funds rate reduced from 1.25 percent to 1 percent, the lowest rate in 45 years. |
| June 26 | GDP up 1.4 percent in Q1. |

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